

The CIA's Estimate on the Soviet Economy

1. Q. Mr. President, was the CIA's press conference on the Soviet economy given with your knowledge and approval? Can you tell us why it was given?

A. The press conference was undertaken with my knowledge and it was given with my approval. I would like to comment here that the release of CIA estimates concerning Soviet economic developments is not new. I am quite sure that many of you can recall that a number of CIA officials, including Mr. Allen Dulles, have made public statements on the general subject of the Soviet economy. I am equally sure that some of you have listened to open testimony on the same subject before Congressional subcommittees.

Mr. McCone and I have often discussed the state of the Soviet economy--a topic in which we obviously have more than a considerable interest. You all know, of course, that the CIA has a sizable professional staff which carefully studies all aspects of Soviet military and economic situations. (I think

we can safely assume that the Russians have a similar group that just as carefully studies our military and economic situations.)

I was extremely interested to learn that the Soviet economy is in serious trouble and that it is growing at a substantially slower rate than ours. I say I was extremely interested because this knowledge came in the face of the Russians' predictions that they would overtake us in virtually every aspect of economic activity--not to mention their plan to "bury us."

I felt then--as I feel now--that the American people, and other peoples as well, might find the CIA's judgments equally interesting. I also thought it would be desirable for the CIA to discuss its assessments with the press, since most of the information on which they were based was obtained through open sources.

It may well be that on some future occasion I may want the agency to hold a similar press conference. Let me say quickly, however, that there are no plans for such a conference in the near future.

2. Q. There have been reports that the CIA's estimates were released to support the Administration's opposition to long-term Western credits to the Soviet Union. Would you care to comment on this?
- A. There is, I think, a connection between the Soviet Union's present economic difficulties and current Soviet efforts to obtain long-term credits. The Soviets have just announced a huge program to expand and to modernize their chemical industry. This is partly designed to expand their capacity to produce the fertilizer necessary to give their depressed agriculture the boost it needs.

The Soviet economy, as I have said, is in serious trouble. To expand their chemical industry on the scale they propose, the Soviets must either slow down priority programs--including those for advanced weapons--or they must obtain larger long-term credits from the West. I see no reason why the West should make a long-term aid program available to the Soviet Union. Such a program could well permit the Soviets to avoid arms reductions.

3. Q. Both academic circles and the press have criticized CIA estimates of Soviet economic growth. How confident are you of these estimates, Sir?

A. Well, here I think I can begin an answer with a question and a definition. What are so-called CIA estimates? What you have just called "CIA estimates" are, in fact, the agreed views of the entire intelligence community. I have implicit confidence in them. They are prepared in CIA by a competent staff of experienced economists. They were discussed at length with leading economists in other agencies. They rest on proven analytic techniques. I have no reason to doubt them.

Last week, a number of authorities in this country and in Europe accepted these same estimates. I might point out that the Soviets themselves, in trying to belittle our figures, have inadvertently tended to confirm them.

4. Q. Commercial and financial circles, among others, say CIA estimates of Soviet gold reserves are too low. How confident are we that our estimates are correct?

A. Mr. McCone tells me that our calculations in this regard involve voluminous information painstakingly collected <sup>from all over</sup> ~~both openly and clandestinely~~. Other agencies which have access to this information accept these calculations. I am told our estimate of Soviet gold reserves is close to the British estimate.

5. Q. The Soviets recently announced a reduction in their 1964 defense budget. Have we any information, Sir, that Soviet economic difficulties have caused any cutback in defense spending or arms programs?

A. No. We have no evidence of any such cuts. Announced Soviet defense budgets give no reliable indication of Soviet defense expenditures for the simple reason that the cost of <sup>many</sup> military items is not included in announced totals.

6. Q. What was the principal cause of the decline in the Soviet gross national product in 1962 and 1963?

A. I think it can be traced primarily to the sharp rise in defense spending which began in 1959 and which drew away resources which would otherwise have gone into industrial and agricultural investment. This lack of investment caused the rate of Soviet industrial growth to decline. A combination of investment neglect and very poor weather conditions for two years caused Soviet agricultural production to drop sharply.

In the 50's, the Soviet gross national product increased on the average of 6% or better annually. In 1962 and 1963, it declined to an average of approximately 2 1/2%.

I would like to draw an interesting comparison here. Soviet propaganda was complimentary toward CIA's estimates when they showed high rates of Soviet growth in the 1950's. Now that our estimates show a sharp decline in Soviet growth, Soviet propagandists call them slanderous.

7. Q. Is the Soviet economy gaining on ours?

A. No. The Soviet economy is less than half the size of ours. I have been told this gap is widening. Our economists calculate that it is wider now than it was in 1950. This gap will continue to grow in our favor because of the stimulus I expect the tax cut and our growing labor force to give our economy. I believe the gap between the Soviet economy and our own will continue to grow in our favor even if there is some improvement in Soviet growth rates.



8. Q. How serious is the Soviet agricultural crisis?

A. Well, the Soviet Union is importing grain.

We have reports of bread and flour shortages and reports that the quality of these products is declining. We also have reports of long lines at Soviet bread stores and reports of consumer grumbling. Our economists calculate that Soviet agricultural output declined more than 4% both in 1962 and in 1963 and that Soviet wheat production last year was off more than 15 million tons. To answer your question, I would say that Soviet agriculture could be doing a little better.

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